



May 2, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 3463 – 2004 Demand Side Management Year-End Report

Dear Ms. Massaro:

Pursuant to the Settlement of the Parties (“Settlement”) approved by the Commission in Order No. 17927 (July 28, 2004) in Docket 3463, enclosed are ten copies of the Narragansett Electric Company’s (“Company”) 2004 Demand Side Management (“DSM”) Year-End Report (“Report”). This Report describes the actual year-end results of the Company’s 2004 DSM programs. A copy of this Report has also been provided to the parties in this proceeding.

Thank you for your attention to our filing. Please feel free to contact me if you have any questions regarding this matter at (401) 784-7667.

Very truly yours,

Laura Olton

Enclosures

cc: Docket 3463 Service List
RI Collaborative Members

2004 DSM Year-End Report

for

The Narragansett Electric
Company

May 2, 2005



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The Narragansett Electric Company

2004 DSM Year-End Report

Introduction

This report describes the cumulative results for 2004 of The Narragansett Electric Company's (Company's) commercial and industrial (C&I) and residential demand-side management (DSM) or energy efficiency programs. These programs are described in the "Settlement of the Parties," filed September 12, 2003, and approved by the Rhode Island Public Utilities Commission in Order No. 17927 issued July 28, 2004.

For the 2004 DSM programs, the Company established a goal, adjusted at year-end, to achieve 10,427 annual kW demand reduction and 52,236 annual MWh energy savings. Year-end results indicate the programs attained 9,500 annual kW demand and 52,025 annual MWh energy savings. The cost-effectiveness of the 2004 programs using the Rhode Island Benefit/Cost Test is 2.72.

The chart below summarizes year-end program expenditures compared to budgeted amounts.

<i>Comparison of Expenditures, 2004</i>			
	True-Up Budget, \$Million ¹	Year-End Budget, \$Million ²	Year-End Spending, \$Million ³
Total Expenditures and Commitments ⁴	\$22.6	\$22.6	\$19.5
Total Expenditures, excluding Commitments	\$17.3	\$19.2	\$16.2
Total Implementation Expenses, residential and C&I programs ⁵	\$15.6	\$17.4	\$14.8

As seen above, the Company spent \$14.8 million in 2004 on the residential and commercial and industrial DSM programs, which began to generate energy savings in 2004. The

¹ True-Up Budget is Total Budgeted Expenditures and Commitments from the True-Up Filing in Docket 3463, filed May 28, 2004, Updated Attachment 5, page 2 of 2.

² Year-End Budget reflects the increase in Large C&I spending budget due to the return of uncommitted funds at year end.

³ Year-End Spending is actual spending in 2004.

⁴ Includes all DSM program-related expenses, including rebates, administration and general expenses (A&G), evaluation, expenses to be repaid by customer co-payments, commitments for future years, and Company incentive.

⁵ Includes all program implementation expenses. These expenses are net of the co-payment amounts paid directly by Small Business Program participants and paid by Large C&I customers for technical assistance. Implementation expenses also exclude HEM program and evaluation expenses and the Company's incentive. See Table 1 notes for details on co-payments and Table 3 for details on the evaluation expenses and incentive.

Company also made \$3.3 million in commitments for future projects in the Large C&I programs.

Table 1 shows the 2004 year-end performance for all of the C&I and residential programs compared with annual goals and approved budgets. Overall, the programs achieved approximately 100% of targeted annual energy savings and 91% of targeted annual kW savings, while using 85% of the implementation budget for the DSM programs.

Table 2 shows the value created by the projected lifetime MWh and kW-year savings from the 2004 DSM programs. The programs created \$42.8 million in total value, of which \$38.7 million is from electricity savings and \$4.1 million is from other participant resource savings, such as fossil fuel and water.

Table 3 provides the Rhode Island benefit/cost (B/C) ratios for the residential and C&I programs. Overall, the B/C ratio for the portfolio of energy efficiency programs implemented in 2004 is 2.72. The B/C ratios incorporate the total value, implementation expenses, evaluation costs and shareholder incentive resulting from the Company's implementation of the programs during 2004.

Table 4 documents that the Company has earned \$604,876 for the successful implementation of its energy efficiency programs in 2004. Of this total, \$60,000 was earned from meeting four of five performance metric targets in 2004. The balance, \$544,876, was earned through the energy savings portion of the incentive mechanism. Table 5 provides details on the metric performance.

The 2004 Year-End DSM fund balance of \$2,977,557 is shown in Table 6. Table 7 describes the Company's C&I programs, and Table 8 describes the Company's residential programs.

Commercial and Industrial Programs

In 2004, the C&I programs were cost-effective with an overall Rhode Island B/C ratio of 3.00. Descriptions of the C&I energy efficiency programs implemented in 2004 are contained in Table 7.

Large Commercial and Industrial Programs

For the Large C&I programs, Energy Initiative and Design 2000*plus*, the Company achieved 78.2% of the targeted annual energy savings and 76.2% of targeted annual kW savings while spending 70.2% of the implementation budget. The Rhode Island B/C ratio for the Large C&I programs was 3.57.

The total amount of spending in 2004 plus outstanding commitments at year-end was \$10.0 million, which is 23% lower than the final 2004 spending and commitment budget of \$12.9 million. Most of the shortfall compared to budget was related to undercommitments in 2004.

Small Commercial and Industrial Programs

The Company offered its Small Business Services (SBS) Program to the Small Commercial and Industrial sector. The Company spent 104% of the SBS implementation budget and achieved 94% of targeted annual energy savings and 89% of targeted annual kW savings. The SBS program achieved a Rhode Island B/C of 1.43.

Load Response Program

In 2004, the Company conducted 15 demand response audits of customers in Cranston and Warwick, the area of the new Kilvert Street substation, then under construction. These audits identified an aggregate load reduction potential of 3,860 kW. The Company entered into agreements with three customers for the 2004 Summer Load Relief Program. Many more customers were interested in the program but did not sign an agreement to participate. In mid-June 2004, the Company energized the new substation and by the end of June, the neighboring substations had been off-loaded by approximately 20 MW. Because the new substation came on line and above average loads did not materialize prior to substation energization, the Company did not call for any demand response events in 2004. Nevertheless, the audits provided customers with valuable information about their facilities' energy use and the Company gained valuable knowledge about demand response program implementation.

Residential Programs

In 2004, the residential DSM programs were cost-effective with an overall Rhode Island B/C ratio of 2.35. The Company spent approximately 100% of the residential implementation budget and achieved 166% of targeted annual energy savings and 136% of targeted annual kW savings. Descriptions of the 2004 residential energy efficiency programs are contained in Table 8.

The Home Energy Management program was phased out at the end of 2004. This report is the final Year-End Report to include results for this program. However, the 2005 Year-End Report will show spending associated with the decommissioning of the HEM program.

NARRAGANSETT ELECTRIC COMPANY

Table 1. Summary of 2004 Target and Year-End Results

	(1) (2) (3) (4) Demand Reduction (Annual kW)				(5) (6) (7) (8) Energy Savings (Annual MWh)				(9) (10) (11) Customer Participation			(12) (13) (14) (15) Implementation Expenses (\$ 000)			
	Approved Target	Adjusted Target	Year-End	Pct Achieved	Approved Target	Adjusted Target	Year-End	Pct Achieved	Approved Target	Year-End	Pct Achieved	Approved Budget	Adjusted Target	Year-End	Pct Achieved
Large Commercial and Industrial															
Design 2000 <i>plus</i>	2,424	3,001	2,194	73.1%	10,451	13,869	11,261	81.2%	293	248	84.6%	\$3,333.8	\$4,216.3	\$3,022.8	71.7%
Energy Initiative	3,583	3,733	2,937	78.7%	16,766	21,451	16,367	76.3%	325	212	65.2%	4,105.4	5,184.0	3,560.9	68.7%
Load Response	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	25.6	25.6	32.3	n/a
SUBTOTAL	6,007	6,734	5,131	76.2%	27,218	35,320	27,628	78.2%	618	460	74.4%	\$7,464.8	\$9,425.9	\$6,615.9	70.2%
Small Commercial and Industrial															
Small Business Services	1,279	1,408	1,253	89.0%	4,598	5,090	4,768	93.7%	622	609	97.9%	\$2,265.9	\$2,265.9	\$2,365.2	104.4%
SUBTOTAL	1,279	1,408	1,253	89.0%	4,598	5,090	4,768	93.7%	622	609	97.9%	\$2,265.9	\$2,265.9	\$2,365.2	104.4%
Residential															
IN-HOME	1,655	1,633	1,809	110.8%	3,846	3,983	4,949	124.3%	9,030	9,111	100.9%	\$3,096.6	\$3,096.6	\$2,969.9	95.9%
Appliance Management Program (Low Income)	94	95	173	181.8%	898	802	1,403	175.0%	530	586	110.6%	950.3	950.3	962.3	101.3%
Energy Wise	247	224	378	169.0%	2,948	3,181	3,546	111.5%	4,100	4,504	109.9%	1,993.8	1,993.8	1,896.3	95.1%
Home Energy Management	1,314	1,314	1,258	95.7%	0	0	0	n/a	4,400	4,021	91.4%	152.5	152.5	111.4	73.1%
PRODUCTS	526	590	1,235	209.5%	8,413	7,644	14,347	187.7%	49,500	81,601	164.9%	1,966.8	1,966.8	1,978.3	100.6%
Energy Star Products	159	159	562	352.8%	507	507	1,332	262.6%	2,800	8,875	317.0%	442.1	442.1	624.3	141.2%
Energy Star Lighting	314	293	519	176.8%	7,864	7,056	12,925	183.2%	46,000	71,980	156.5%	1,155.9	1,155.9	1,014.9	87.8%
Energy Star Heating System	0	0	0	0.0%	12	12	13	103.4%	600	630	105.0%	200.2	200.2	198.4	99.1%
Energy Star Central Air Conditioning	52	137	154	112.7%	30	69	77	112.6%	100	116	116.0%	168.6	168.6	140.6	83.4%
INFORMATION AND EDUCATION	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	106.7	106.7	115.7	108.5%
NEW CONSTRUCTION	63	62	72	116.7%	230	199	332	166.9%	350	274	78.3%	690.1	690.1	778.6	112.8%
SUBTOTAL	2,243	2,284	3,116	136.4%	12,488	11,826	19,628	166.0%	58,880	90,986	154.5%	\$5,860.2	\$5,860.2	\$5,842.6	99.7%
TOTAL	9,529	10,427	9,500	91.1%	44,304	52,236	52,025	99.6%	60,120	92,055	153.1%	\$15,590.9	\$17,552.0	\$14,823.7	84.5%

NOTES

- (1) Approved Target from May 28, 2004, "True-Up Filing", Updated Attachment 10 page 2 of 3, "Maximum Annual Load Reduction in kW."
- (2) Per Settlement, Adjusted Target reflects (a) evaluation results available at year end and (b) increase in Large C&I spending budget due to the return of uncommitted funds at year end.
- (4) Pct Achieved is Column (3)/ Column (2).
- (5) Approved Target from True-Up Filing, Updated Attachment 10 page 2 of 3, Maximum Annual MWh Saved.
- (6) Per Settlement, Adjusted Target reflects (a) evaluation results available at year end and (b) increase in Large C&I program spending due to the return of uncommitted funds at year end.
- (8) Pct Achieved is Column (7)/ Column (6).
- (9), (10) Customer Participation in 2004 defined as completed projects in both Approved Target and Year-End. Some customers may have implemented multiple projects.
- (11) Pct Achieved is Column (10)/ Column (9).
- (12) Approved Budget from True-Up Filing, Updated Attachment 10, page 1 of 3, Program Implementation Expenses.
For Design 2000 *plus* and Energy Initiative this excludes estimated commitment budget of \$1,962,000 for Design 2000 *plus* and \$3,339,500 for Energy Initiative.
For Small Business Services, this is net of expected copayments of \$587,236.
- (13) Per Settlement, Adjusted Budget for Large C&I programs reflects shortfall in year-end commitments of \$1,961,062. The shortfall in commitments is proportionately added to the spending budgets of Energy Initiative and Design 2000 *plus*
- (14) Year-End Implementation Expenses are net of the following items:
Actual commitments made in 2004 for 2005: Design 2000 *plus* commitments of \$1,616,686; Energy Initiative commitments of \$1,723,752.
Customer copayments: Design 2000 *plus* technical assistance copays of \$21,529; Energy Initiative technical assistance copays of \$400; Small Business Services copays of \$475,238.
Due to accounting system procedures, some 2004 technical assistance copayments may not be credited until 2005. These delayed credits are not included here.
- (15) Pct Achieved is Column (14)/ Column (13).

NARRAGANSETT ELECTRIC COMPANY

Table 2. Summary of Value, kW, and kWh by Program

2004 Program Year

	Value (000's)						Load Reduction in kW				MWh Saved	
	Total	Capacity	Energy		MDC	Participant Resource	Maximum Annual (1)	Winter	Summer	Lifetime	Annual (1)	Lifetime
			On Peak	Off Peak								
Large Commercial and Industrial												
Design 2000 <i>plus</i>	\$10,352	\$2,773	\$2,987	\$3,071	\$1,520	\$0	2,194	1,167	2,194	38,762	11,261	197,488
Energy Initiative	14,452	3,731	5,396	3,015	2,310	0	2,937	2,329	2,937	49,699	16,367	257,340
Load Response	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SUBTOTAL	\$24,804	\$6,504	\$8,383	\$6,086	\$3,831	\$0	5,131	3,496	5,131	88,461	27,628	454,828
Small Commercial and Industrial												
Small Business Services	\$3,549	\$1,014	\$1,491	\$443	\$601	\$0	1,253	683	1,253	13,965	4,768	54,107
SUBTOTAL	\$3,549	\$1,014	\$1,491	\$443	\$601	\$0	1,253	683	1,253	13,965	4,768	54,107
Residential												
IN-HOME	\$4,522	\$738	\$1,020	\$1,168	\$952	\$644	1,809	3,183	1,809	8,147	4,949	68,274
Appliance Management Program (Low Income)	1,536	200	293	336	217	490	173	239	173	2,397	1,403	19,534
Energy Wise	2,712	423	727	832	576	154	378	736	378	4,492	3,546	48,740
Home Energy Management	274	115	0	0	158	0	1,258	2,208	1,258	1,258	0	0
PRODUCTS	\$9,158	\$1,160	\$1,582	\$1,872	\$1,527	\$3,017	1,235	3,786	1,235	12,562	14,347	96,973
Energy Star Products	4,062	508	277	318	382	2,577	562	179	562	7,101	1,332	18,266
Energy Star Lighting	4,361	495	1,272	1,542	1,052	0	519	3,601	519	3,152	12,925	77,397
Energy Star Heating System	449	1	2	3	3	440	0	6	0	1	13	151
Energy Star Central Air Conditioning	286	156	30	10	90	0	154	0	154	2,308	77	1,159
INFORMATION AND EDUCATION	\$0	\$0	\$0	\$0	\$0	\$0	n/a	n/a	n/a	n/a	n/a	n/a
NEW CONSTRUCTION	\$730	\$113	\$61	\$72	\$87	\$398	72	74	72	1,617	332	4,159
SUBTOTAL	\$14,410	\$2,011	\$2,664	\$3,111	\$2,565	\$4,058	3,116	7,043	3,116	22,326	19,628	169,406
TOTAL	\$42,763	\$9,528	\$12,538	\$9,640	\$6,997	\$4,058	9,500	11,222	9,500	124,752	52,025	678,341

(1) From Table 1.

NARRAGANSETT ELECTRIC COMPANY

Table 3. Summary of B/C Ratios, Value, Expenses, Customer and Evaluation Costs (\$000's)
2004 Program Year

	Rhode Island Benefit/Cost (1)	Value Total (000s) (2)	Implementation Expenses (3)	Evaluation Cost (4)	Shareholder Incentives (5)
Large Commercial and Industrial					
Design 2000plus (4)	3.27	\$10,352.4	\$3,022.8	\$46.2	\$100.2
Energy Initiative (4)	3.85	14,451.7	3,560.9	45.3	145.7
Load Response	n/a	n/a	32.3	\$0.5	n/a
SUBTOTAL	3.57	\$24,804.1	\$6,615.9	\$92.0	\$245.9
Small Commercial and Industrial					
Small Business Services (4)	1.43	3,549.1	2,365.2	24.2	\$97.4
SUBTOTAL	1.43	\$3,549.1	\$2,365.2	\$24.2	\$97.4
SUBTOTAL C&I	3.00	\$28,353.3	\$8,981.1	\$116.2	\$343.3
Residential					
IN-HOME	1.48	\$4,521.5	\$2,969.9	\$13.5	\$65.9
Appliance Management Program (Low Income)	1.57	1,535.7	962.3	0.2	18.7
Energy Wise	1.39	2,711.9	1,896.3	13.3	47.2
Home Energy Management	2.46	273.9	111.4	0.0	0.0
PRODUCTS	4.18	\$9,157.8	\$1,978.3	\$20.0	\$191.2
Energy Star Products	6.32	4,062.4	624.3	0.9	17.7
Energy Star Lighting	3.62	4,360.5	1,014.9	18.8	172.2
Energy Star Heating System	2.26	449.0	198.4	0.0	0.2
Energy Star Central Air Conditioning	2.01	285.9	140.6	0.3	1.0
INFORMATION AND EDUCATION	0.00	\$0.0	115.7	\$0.0	\$0.0
NEW CONSTRUCTION	0.93	\$730.3	778.6	\$1.8	\$4.4
SUBTOTAL RESIDENTIAL	2.35	\$14,409.6	\$5,842.6	\$35.3	\$261.5
Other Program Design, Evaluation, and Planning				\$116.2	
TOTAL	2.72	\$42,762.8	\$14,823.7	\$267.6	\$604.9

Notes:

- (1) RI Benefit/Cost = Value/(Implementation Expenses + Evaluation Cost + Shareholder Incentives).
- (2) Year-End Implementation Expenses by Program from Table 1.
- (3) Year-End Value Total from Table 2.
- (3) Narragansett Electric Company's evaluation cost including staff labor costs and outside contractor services.
- (4) Shareholder incentives earned by sectors have been allocated to programs based on annual kWh savings.

NARRAGANSETT ELECTRIC COMPANY

Table 4. The Narragansett Electric Company 2004 DSM Incentive Calculation

Incentive Rate: 4.40%

Sector	(1) Spending Budget	(1a) Year-End Spending Budget	(2) Target Incentive	(3) Target Incentive for Performance Metrics	(4) Target Incentive - Annual kWh Savings	(5) Annual kWh Savings Goal	(6) Threshold kWh Savings	(7) Above Threshold kWh	(8) Incentive Per Above Threshold kWh
Residential	\$5,813,908	\$5,813,908	\$261,532	\$30,000	\$231,532	11,825,581	5,321,511	6,504,069	\$0.036
Small Commercial & Industrial	\$2,339,475	\$2,339,475	\$108,167	\$15,000	\$93,167	5,090,414	2,290,686	2,799,728	\$0.033
Large Commercial & Industrial	\$7,637,717	\$9,598,779	\$412,260	\$30,000	\$382,260	35,319,988	15,893,995	19,425,994	\$0.020
Total	\$15,791,100	\$17,752,162	\$781,959	\$75,000	\$706,959	52,235,983	23,506,192	28,729,791	

Sector	(9) Actual kWh	(10) Actual Above Threshold kWh	(11) Calculated Savings Incentive	(12) Earned Savings Incentive	(13) Performance Metrics Achieved	(14) Earned Metric Incentive	(15) Total Earned Incentive
Residential	19,628,291	14,306,780	\$509,293	\$231,532	2	\$30,000	\$261,532
Small Commercial & Industrial	4,768,153	2,477,467	\$82,443	\$82,443	1	\$15,000	\$97,443
Large Commercial & Industrial	27,628,080	11,734,085	\$230,901	\$230,901	1	\$15,000	\$245,901
Total				\$544,876		\$60,000	\$604,876

- Column 1: True-Up Spending Budget from May 28, 2004, "True-Up Filing", Updated Attachment 8. Excludes the following: Home Energy Management; Energy Initiative and Design 2000plus commitments; and Small Business Services co-payments to be received in 2004.
- Column 1a: Column 1 adjusted for undercommitted year end funds (\$1,961,062) added to Large C&I.
- Column 2: Column 1a * Incentive Rate
- Column 3: \$15,000 per proposed performance metric.
- Column 4: Column (2) - Column (3) allocated to each sector based on the Year-End sector spending budget.
- Column 5: Annual MWh Adjusted Targets by Sector from Table 1.
- Column 6: Column 5 * 0.45 (45% Threshold).
- Column 7: Column 5 - Column 6
- Column 8: Column 4 / Column 7
- Column 9: Year-End Savings from Table 1
- Column 10: Column 9 - Column 6
- Column 11: Column 10 * Column 8
- Column 12: Equal to Column 3, if Column 11 greater than Column 3; Equal to Column 11, if Column 11 less than or equal to Column 3.
- Column 13: As documented in Table 5
- Column 14: Column 13 * \$15,000 per achieved metric
- Column 15: Column 14 + Column 12

NARRAGANSETT ELECTRIC COMPANY

Table 5. Performance Metrics

YEAR END 2004

Metric	Description	2004 Results
ACHIEVED	ENERGY STAR Clothes Washers	
Residential Metric 1:	The Company will achieve an ENERGY STAR qualified Clothes Washer market share for 2004 in Rhode Island that is 7 percentage points above the national average.	The Company achieve an ENERGY STAR qualified Clothes Washer market share of 35.27% for 2004 in Rhode Island compared to a national market share of 27.24%. The Rhode Island market share is 8.04% greater than the national average, exceeding the target.
ACHIEVED	ENERGY STAR Homes	
Residential Metric 2:	The Company will conduct plans analyses and home ratings and sign ENERGY STAR builders agreements with 15% of the new homes built in Rhode Island in 2004.	The Company signed ENERGY STAR builder's agreements with a total of 756 units in 2004. There were a total of 2493 permits pulled in Rhode Island in 2004. The signed agreements are 30% of the permits pulled, exceeding the target.
ACHIEVED	Building Operator Certification (BOC) Training	
C& I Metric 1:	The Company will enroll in 2004 an additional 25 Rhode Island facility building engineers, technicians, contractors, or operators in the NEEP- Level 1- O&M training and certification course.	The Company, in cooperation with the State Energy Office, offered a Level 1 BOC class from June 28th through September (8 sessions). There were 29 facility professionals enrolled in the class, exceeding the target.
NOT ACHIEVED	High Performance Schools	
C&I Metric 2:	The Company will contract with three new school projects through Design 2000plus to provide full incremental cost for high performance design and construction practices with a special focus on high quality energy efficient lighting.	The Company signed a high performance school contract with one school, Penfield School, a private school in Newport. This performance does not meet the target of 3 schools.
ACHIEVED	Comprehensiveness in Small Business Installations	
C&I Metric 3:	The Company will achieve 5% comprehensiveness in Small Business Services in 2004. Comprehensiveness is defined as the number of completed non prescriptive lighting or other custom energy efficiency measures (excluding custom walk-in cooler measures) divided by the total number of participant locations (excluding walk-in cooler only participants).	For 2004, the Company completed 30 custom projects and had 609 total participants, and 32 cooler only participants. We thus achieved a comprehensiveness measure of $30/(609-32) = 5.2\%$, exceeding the threshold.

TABLE 6

**THE NARRAGANSETT ELECTRIC COMPANY
DEMAND - SIDE MANAGEMENT ANALYSIS OF 2004 FUND BALANCE**

12 Months Actual 2004

FIRST HALF 2004 - Total C&LM Revenue/Expense for Jan-June 2004

	<u>Actual JAN</u>	<u>Actual FEB</u>	<u>Actual MAR</u>	<u>Actual APRIL</u>	<u>Actual MAY</u>	<u>Actual JUNE</u>	<u>6MTHS Y.T.D</u>
1. DSM Factor Revenue	\$1,408,611	\$1,311,524	\$1,258,485	\$1,181,031	\$1,122,587	\$1,239,592	\$7,521,831
2. Leasing Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Total Revenue	\$1,408,611	\$1,311,524	\$1,258,485	\$1,181,031	\$1,122,587	\$1,239,592	\$7,521,831
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4. Total Expenses	\$352,814	\$942,549	\$1,079,937	\$887,189	\$564,380	\$1,042,537	\$4,869,406
5. DSM Incentive	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. Cash Flow Over/(Under)	\$1,055,797	\$368,975	\$178,548	\$293,842	\$558,207	\$197,056	\$2,652,425
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7. Start of Period Balance	\$6,115,639	\$7,193,581	\$7,587,150	\$7,791,286	\$8,111,589	\$8,697,765	\$6,115,639
8. End of Period Balance Before Interest	\$7,171,436	\$7,562,556	\$7,765,698	\$8,085,128	\$8,669,796	\$8,894,821	\$8,768,064
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9. Approximate Interest on Fund	\$22,145	\$24,594	\$25,588	\$26,461	\$27,969	\$29,394	\$156,151
10. End of Period Balance After Interest	\$7,193,581	\$7,587,150	\$7,791,286	\$8,111,589	\$8,697,765	\$8,924,215	\$8,924,215

Line 1: SMB702 revenue minus HV discounts and Renewables

Line 2: Lease payments from other utilities for use of programs

Line 3: Line 1 + Line 2

Line 4: Expenses from SMB702 report

Line 5: Estimated 2004 Incentive

Line 6: Line 3 - (Line 4 + Line 5)

Line 7: Line 10 of Previous Month

Line 8: Line 6 + Line 7

Line 9: Interest Rates:	Jan. = 4.00%	Feb. = 4.00%	Mar. = 4.00%	Apr. = 4.00%
	May = 4.00%	Jun. = 4.01%	Jul. = 4.25%	Aug. = 4.42%
	Oct. = 4.75%	Nov. = 4.93%	Dec. = 5.14%	Sep. = 4.43%

Line 10: Line 8 + Line 9

TABLE 6 (cont)

**THE NARRAGANSETT ELECTRIC COMPANY
DEMAND - SIDE MANAGEMENT ANALYSIS OF 2004 FUND BALANCE**

12 Months Actual 2004

SECOND HALF 2004 - Total C&LM Revenue/Expense for July-December 2004

	<u>Actual JULY</u>	<u>Actual AUG</u>	<u>Actual SEPT</u>	<u>Actual OCT</u>	<u>Actual NOV</u>	<u>Actual DEC</u>	<u>ANNUAL TOTAL</u>
1. DSM Factor Revenue	\$1,347,940	\$1,395,944	\$1,454,404	\$1,260,298	\$1,211,421	\$1,350,036	\$15,541,874
2. Leasing Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Total Revenue	\$1,347,940	\$1,395,944	\$1,454,404	\$1,260,298	\$1,211,421	\$1,350,036	\$15,541,874
<hr/>							
4. Total Expenses	\$1,530,062	\$1,411,202	\$1,126,610	\$1,727,906	\$1,091,298	\$3,334,770	\$15,091,254
5. DSM Incentive	\$0	\$0	\$0	\$0	\$0	\$604,876	\$604,876
6. Cash Flow Over/(Under)	(\$182,122)	(\$15,258)	\$327,794	(\$467,608)	\$120,123	(\$2,589,610)	(\$154,256)
<hr/>							
7. Start of Period Balance	\$8,924,215	\$8,773,377	\$8,790,406	\$9,151,256	\$8,718,946	\$8,875,136	\$6,115,639
8. End of Period Balance Before Interest	\$8,742,093	\$8,758,119	\$9,118,200	\$8,683,648	\$8,839,069	\$6,285,526	\$5,961,383
<hr/>							
9. Approximate Interest on Fund	\$31,284	\$32,287	\$33,056	\$35,298	\$36,067	\$32,469	\$356,612
10. End of Period Balance After Interest	\$8,773,377	\$8,790,406	\$9,151,256	\$8,718,946	\$8,875,136	\$6,317,995	\$6,317,995
<hr/>							
11. Year-end Commitments for Design 2000 & Energy Initiative							\$3,340,438
12 FUND BALANCE AT YEAR-END							\$2,977,557

Line 1: Revenue from SMB702 report minus HV discount and Renewables

Line 2: Lease payments from other utilities for use of programs

Line 3: Line 1 + Line 1a

Line 4: Expenses from SMB702 report

Line 5: Estimated 2004 Incentive

Line 6: Line 3 - (Line 4 + Line 5)

Line 7: Line 10 of Previous Month

Line 8: Line 6 + Line 7

Line 9: Interest Rates:	Jan. = 4.00%	Feb. = 4.00%	Mar. = 4.00%	Apr. = 4.00%
	May = 4.00%	Jun. = 4.01%	Jul. = 4.25%	Aug. = 4.42%
	Oct. = 4.75%	Nov. = 4.93%	Dec. = 5.14%	Sep. = 4.43%

Line 10: Line 8 + Line 9

Line 11: Per the DSM database

Line 11a: Per the DSM database

Line 12: Line 10 - Line 11 - Line 11a

Table 7: 2004 Commercial and Industrial DSM Programs

Program Name	Description
Design 2000plus Program	<p>Promotes energy efficient design and construction practices in new and renovated commercial, industrial, and institutional buildings. The program also promotes the installation of high efficiency equipment in existing facilities during building remodeling and at the time of equipment failure and replacement. Design 2000plus is known as a lost opportunities program because a customer who does not install energy efficient equipment at the time of new construction or equipment replacement will likely never make the investment for that equipment or will make the investment at a much greater cost at a later time.</p> <p>Design 2000plus provides both technical and design assistance to help customers identify efficiency opportunities in their new building designs and to help them refine their designs to pursue these opportunities. The program also offers rebates to eliminate or significantly reduce the incremental cost of high efficiency equipment over standard efficiency equipment. Commissioning or quality assurance is also offered to ensure that the equipment and systems operate as intended.</p>
Energy Initiative Program	<p>Energy Initiative is a comprehensive retrofit program designed to promote the installation of energy efficient electric equipment such as lighting, motors, and heating, ventilation and air conditioning (HVAC) systems in existing buildings. All commercial, industrial, and institutional customers are eligible to participate. The Company offers technical assistance to customers to help them identify cost-effective conservation opportunities, and pays rebates to assist in defraying part of the material and labor costs associated with the energy efficient equipment.</p>
Small Business Services Program	<p>The Small Business Services Program provides direct installation of energy efficient lighting and non-lighting retrofit measures. Customers with average monthly demand of less than 100 kW or annual energy usage of less than 300,000 kWh are eligible to participate. The program's lighting measures are delivered through one labor and one product vendor selected through a competitive bidding process. The labor vendor performs lighting analysis, installs measures, and inputs data into a database. Refrigeration measures are performed by a different vendor. These measures include cooler door heaters, fan controls, and freezer door heater controls. The customer pays 35% of the total cost of a retrofit. This amount is discounted 15% for a lump sum payment or the customer has the option of spreading the payments over a two-year period interest free.</p>
Load Response	<p>The Load Response program funds demand response audits of customer facilities to help them understand their power use, identify opportunities for load response, and present them with implementation recommendations to facilitate demand reduction in the event of a load response event. In 2004, audits were focused on customers in the Cranston/Warwick area, in order to provide load relief for two substations in the event a new substation was delayed in coming on line.</p>

Table 8: 2004 Residential DSM Programs

Program Name	Description
Appliance Management (Low Income)	The low income program, also known as the Appliance Management Program, is delivered by the State Energy Office and local Community Action agencies. It provides the same services as the EnergyWise program, described below, but no customer contribution is required for equipment installation.
Energy Wise	The EnergyWise program offers customers free home energy audits of their homes and information on their actual electric usage. Participants in this program receive financial incentives to replace inefficient lighting fixtures, appliances, thermostats, insulation levels and windows with models that are more energy efficient. The program addresses baseload electric use as well as electric heat in all residential buildings.
Home Energy Management	HEM provides direct control of residential water heaters. The program has been closed to new customers since Jan. 1, 1998, and was terminated in late 2004. During program operation, funding provided for maintenance of the communication system and control of over 4,000 water heaters; with program closure, funding covers decommissioning costs.
ENERGY STAR Products	Included in this initiative is the ENERGY STAR Appliance Program which promotes the purchase of high efficiency major appliances (refrigerators, dishwashers, clothes washers, room air conditioners) that bear the ENERGY STAR Label. It is offered by several utilities throughout the region. Year round rebates of \$50 were provided for clothes washers and seasonal rebates of \$25 were offered for air conditioners.
ENERGY STAR Lighting	This is an initiative implemented jointly with other regional utilities. It provides discounts to customers for the purchase of ENERGY STAR compact fluorescent lamps and fixtures through instant rebates, special promotions at retail stores, or a mail order catalog.
ENERGY STAR Heating	Homeowners purchasing or replacing an existing oil or propane heating system with a qualifying ENERGY STAR heating system are eligible to receive a rebate to defray the cost of the higher efficiency system. Funding is provided by Narragansett Electric and administered by the State Energy Office.
ENERGY STAR Central A/C	This program promotes the installation of high efficiency central air conditioners. The program provides training of contractors in installation, testing of the high efficiency systems and rebates for ENERGY STAR systems
Information and Education	The Company promotes energy education in schools through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training for a comprehensive energy education program. The Company also supports the ENERGY STAR Homes Vocational School Initiative which trains students at the Woonsocket and Warwick Area Career and Technical Centers to be ENERGY STAR certified builders and the "Kids for Conservation" program.
New Construction	The ENERGY STAR Homes Program promotes the construction of energy efficient homes by offering technical and marketing assistance, as well as cash incentives to builders of new energy efficient homes that comply with the program's performance standards.

Certificate of Service

I hereby certify that a copy of the cover letter and accompanying material(s) have been hand-delivered or sent via U.S. mail to the parties listed below.



Joanne M. Scanlon
The Narragansett Electric Company

May 2, 2005
Date

Narragansett Electric Co. – Demand Side Management – Dkt. 3463
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